

## Saving energy, budgets Program helps pay for capital projects

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Steve Raabe, Denver Post Business Writer  
**Sunday, July 13, 2003** - No money? No problem.

Cash-strapped state and local governments are discovering a pain-free way to conduct building improvements with the aim of saving energy.

Energy-performance contracting, formerly obscure but increasingly popular, allows building owners to launch renovations with no upfront payments.

The idea is to build now, pay later.

Energy conservation is the key. Costs of improvements that increase energy efficiency are financed on the promise of future reductions in utility bills.

"School budgets and government budgets are all shrinking, and capital projects usually are the first things to go," said Linda Smith, a performance-contracting specialist in the Colorado Governor's Office of Energy Management and Conservation.

"This program gives them the opportunity to improve their facilities with no upfront costs," she said.

The Mapleton School District in Adams County completed a \$4.4 million energy-efficiency makeover in 2001 and now is enjoying savings in utility bills every month.

The project entailed lighting upgrades, new air-conditioning and heating equipment, and automated controls for building systems at two middle schools and two elementary schools.

The result: energy savings of \$174,000 in the first year, with the prospect of higher savings as electricity and natural-gas costs increase in coming years.

The savings over 15 years will repay a Wells Fargo loan that funded the improvements. After the loan is retired, Mapleton pockets the savings or might use them to fund other improvements.

"It's starting to work for us pretty well," said Robert Gallegos, maintenance coordinator for the school district. "As a small school district, I'd say we're probably a prototype for this kind of program."

Since performance contracting in Colorado public buildings debuted in 1995, \$34.5 million in improvements have been completed, with resulting annual energy savings of \$3.9 million, according to the governor's energy office.

Projects valued at an additional \$54.5 million are underway.

Gov. Bill Owens is expected to issue an executive order this month requiring all state agencies to investigate the feasibility of performance contracting for their buildings.

Owens' endorsement of the idea was cited last month when he won a leadership award at the national Energy Efficiency Forum.

One of the biggest projects about to launch is a \$6 million to \$9 million efficiency upgrade for Colorado's Capitol and several nearby state office buildings. Annual energy savings from those projects are projected at \$500,000 to \$700,000.

The project will entail lighting upgrades and replacement of boilers, chillers and pipes - some dating to the 1920s - in a subterranean labyrinth under the Capitol complex.

Performance contracting is likely to grow as state and local budgets continue to shrink, leaving building officials with little or no money to spend.

Colorado's capital spending budget from the general fund has shrunk from an all-time high of \$524 million in fiscal 1998-99 to \$9.4 million this year.

"In times when money is available, it is spent on capital projects, and when it's not available, capital spending is cut back," said state budget director Nancy McCallin. "That's what makes (performance contracting) a great idea."

In typical projects, private firms specializing in energy-efficiency improvements conduct building energy audits to identify potential savings.

If building owners decide to proceed, the contractors then guarantee specific amounts of annual savings, which help secure bank loans that finance the improvements.

Performance contracting has been used since the mid-1980s, especially in states with high energy costs, such as California, said Jim Davis, president of energy-service firm Chevron Energy Solutions.

More recently, the program has surged as a national economic slowdown caused severe cutbacks in state and local government budgets.

"It's a smart, affordable and increasingly popular way to save energy," Davis said. "The combination of rising energy costs, budget constraints and low interest rates help drive the viability of these projects."

Chevron earlier this month purchased one of Colorado's largest energy-service contractors, CMS Viron Energy Services.

While the bulk of performance contracts projects have targeted public buildings, private businesses also can benefit.

Vail Resorts is negotiating with Chevron Energy Solutions for energy retrofits at Vail, Breckenridge and the Lodge at Grand Teton in Wyoming.

"It could be as simple as changing to more efficient light bulbs, up to replacing generators and snow-making equipment," said Vail Resorts spokesman Matt Sugar. "It's not only to serve our guests better, but to save on energy and water over the long term."

## **ENERGY INFORMATION**

For more information on energy performance contracting, call Linda Smith at the Governor's Office of Energy Management and Conservation, 303-894-2383 ext. 1203, or visit [www.state.co.us/oemc/rebuildco](http://www.state.co.us/oemc/rebuildco).

## **ENERGY SAVINGS WITHOUT UPFRONT COSTS**

Dozens of Colorado school districts, colleges and government agencies have found a way to improve their buildings' energy efficiency without upfront cost. Using 'performance contracting,' the building improvements are paid off using future energy savings.